DIRECT TESTIMONY OF

GERHARD HAIMBERGER

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2008-302-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND CURRENT POSITION.

A. Gerhard Haimberger, 1426 Main Street, Columbia, South Carolina. I am employed by SCANA Services, Inc. as General Manager, Fuel Procurement and Asset Management, providing fuel and transportation purchasing on behalf of South Carolina Electric & Gas Company ("SCE&G" or the "Company").

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE.

A. I have a Bachelor of Science Degree in Mining Engineering from the Colorado School of Mines in Golden, Colorado, and am a registered professional engineer. I have been involved in fuel production or procurement for over thirty years. In July 2003, I was employed by SCANA Services, Inc. in my current position and report directly to the Senior Vice-President, Fuel Procurement and Asset Management, SCANA Services, Inc.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the fundamental changes and their magnitude that have occurred in the domestic and global coal markets since the last annual fuel adjustment hearing.

Q. PLEASE BRIEFLY DISCUSS WHEN THE DRAMATIC CHANGES OF COAL PRICES APPEARED IN THE MARKET.

A. In Docket No. 2008-2-E, I informed the Commission that coal prices had become extremely volatile beginning November 2007. At the time, I advised the Commission that Free on Board ("f.o.b.") mine prices had risen from about $40 per ton to around $80 per ton. The f.o.b. mine price is price of coal loaded "free on board" into rail cars at the mine before transportation costs are included. This price increase and volatile market was driven by and continues to be driven by new global demand, mining and transportation problems in foreign coal producing countries, coal mining constraints in the U.S. and an unprecedented increase in U.S. coal exports. This trend of increasing prices is continuing today.

Q. PLEASE EXPLAIN TO THE COMMISSION WHAT CHANGES HAVE OCCURRED IN THE COAL INDUSTRY.

A. Global changes in coal markets, coupled with a weakening dollar, are having a profound effect on U.S. markets. These changes include:

1. China has now become a net importer of coal whereas it once was a net exporter of coal;

2. Australia has had major production shortfalls and congested export terminals;

3. South Africa has had major production and transportation problems and is now exporting to Asia instead of Europe

4. Russia is retaining coal that typically was sold to the rest of Europe;

5. The appetite for coal and other commodities in developing Asian countries is huge;

6. Coal supply from Poland, which formerly supplied Europe, is now used domestically in Poland rather than being shipped throughout Europe;

7. South American coal, which was previously shipped to the United States, is now being used to serve European demand;

In addition, U.S. production is flat. Expansion of U.S. production is constrained by ever increasingly stringent environmental permitting and regulatory rules. Further, U.S. coal prices have been globalized and therefore, are influenced by world oil prices more than ever before.

Q. WHAT RESULTS STEM FROM THE CHANGES DESCRIBED ABOVE?

A. U.S. exports are at unprecedented high volumes. The U.S. has become the "swing" steam coal supplier to Europe and a leading metallurgical coal supplier globally.

The price for low sulfur, high BTU coal for prompt delivery spiked above $150 per ton f.o.b. mine in July 2008. Additionally, suppliers are under tremendous financial pressure to favor higher priced markets. Rail resources are extremely tight due to increased demand for rail service. Exhibit No. ___ (GH-1) appended hereto and provided by the Energy Information Administration displays the current volatility and magnitude of the price increases.

Q. WHAT IS SCE&G's CURRENT COAL COST?

A. SCE&G maintains a portfolio of long-term and spot contracts with long-term contract terminations staggered. The current market was described herein to define any current spot purchase needs and how it affects fuel forecasts going forward. To put these costs in perspective, the range of long-term contract coal prices through June 30, 2008 was from $45.33 to $69.50 per ton, f.o.b. mine. Spot purchases during the first half of 2008 ranged from $45.50 to $128.00 (June, 2008) per ton, f.o.b. mine. The industry's outlook for forward coal prices on July 1, 2008 ranged from $161.00 per ton f.o.b. mine for prompt delivery to $140 in 2011.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.